

GENESEE SCHOOL DISTRICT #6

GENESEE, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 18, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Genesee School District #6

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Genesee School District #6's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6 as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated September 18, 2007 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II – VII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee School District #6's basic financial statements. The additional information on pages 19 - 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Genesee School District #6's Administration's discussion and analysis of the financial results for the year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Genesee School District #6 net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the years ended June 30, 2007 and 2006:

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$2,449,883	\$2,236,353
Non-Current Assets	<u>8,691,900</u>	<u>8,829,553</u>
<u>TOTAL ASSETS</u>	<u>\$11,141,783</u>	<u>\$11,065,906</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,376,607	\$2,115,397
Long-Term Liabilities	<u>10,862,097</u>	<u>10,878,201</u>
Total Liabilities	\$13,238,704	\$12,993,598
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	795,978	635,213
Restricted - Debt Service	102,395	63,761
Unrestricted	<u>(2,995,294)</u>	<u>(2,626,666)</u>
Total Net Assets	<u>(\$2,096,921)</u>	<u>(\$1,927,692)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$11,141,783</u>	<u>\$11,065,906</u>

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the years ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$298,024	\$282,488
Property Taxes Levied for Debt Service	512,840	483,871
State of Michigan Unrestricted Foundation Aid	5,988,174	6,104,594
Other General Revenues	<u>75,256</u>	<u>84,917</u>
Total General Revenues	\$6,874,294	\$6,955,870
<u>Operating Grants:</u>		
Federal	702,641	698,210
State of Michigan	616,585	599,799
Other Operating Grants	<u>102,040</u>	<u>108,909</u>
Total Operating Grants	\$1,421,266	\$1,406,918
<u>Charges for Services:</u>		
Food Service	69,659	70,114
Athletics	28,290	32,212
Other Charges for Services	<u>24,001</u>	<u>27,167</u>
Total Charges for Services	\$121,950	\$129,493
Total Revenues	\$8,417,510	\$8,492,281
<u>EXPENSES</u>		
Instruction & Instructional Support	4,725,521	5,911,700
Support Services	2,563,421	2,412,634
Community Services	31,190	37,990
Food Service	312,211	315,478
Athletics	225,535	246,362
Interest on Long-Term Debt	485,943	545,342
Depreciation	<u>242,918</u>	<u>242,918</u>
Total Expenses	\$8,586,739	\$9,712,424
<u>(DECREASE) IN NET ASSETS</u>	(\$169,229)	(\$1,220,143)
<u>BEGINNING NET ASSETS (DEFICIT)</u>	<u>(1,927,692)</u>	<u>(707,549)</u>
<u>ENDING NET ASSETS (DEFICIT)</u>	<u><u>(\$2,096,921)</u></u>	<u><u>(\$1,927,692)</u></u>

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets decreased by \$169,229 to a total of \$(2,096,921). The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$160,765 during the year due to the purchase of new capital assets exceeding depreciation and principal payments on related debt. The deficit in unrestricted assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The districts Unrestricted Net Assets decreased by \$368,628 during the year and the restricted portion of the net assets increased by \$38,634. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$169,229. The total revenues decreased by \$74,771 or 1% over last years amounts. The major change was an decrease in state aid. Expenditures decreased by \$1,125,685 due to an decrease in interest, wages and fringe benefits and the prior year expenditures included a one-time retirement incentive.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$114,698 during the year with the decrease coming primarily in cash. Revenues for the year increased by \$77,589 due to loan proceeds. Expenditures and other financing uses decreased by \$81,493, primarily due to decreases in wages and fringe benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Genesee School District #6 foundation allowance was \$7,085 per student for the 2006-2007 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 908 students. A decrease of 41 students from the prior year.

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 year was \$298,626. An increase of \$17,802 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$7,639,308	\$7,685,012	\$7,687,476	0.59	0.03
Expenditures	7,792,654	7,842,710	7,802,174	0.64	0.52
<u>TOTAL</u>	<u>(\$153,346)</u>	<u>(\$157,698)</u>	<u>(\$114,698)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming year prior to July 1, the start of the year.

As a matter of practice, Genesee School District #6 amends its budget during the school year. The June, 2007 budget amendment was the final budget for the year. There were no significant variances between original and final budgets for both revenue and expenditures. There were no significant variances between final budgets and actual for both revenue and expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	<u>Principal Balance 7-01-06</u>	<u>Increases 6-30-07</u>	<u>Principal Payments 6-30-07</u>	<u>Principal Balance 6-30-07</u>
Bonds Payable	\$7,483,436	\$0	\$260,000	\$7,223,436
Bus Note & Contracts Payable	69,904	141,120	22,538	188,486
MI School Bond Loan Fund	3,076,731	266,769	0	3,343,500
Retirement Incentive	641,000	0	157,000	484,000
Vacation & Sick Days Payable	52,544	3,064	0	55,608
<u>Total Long-Term Bond Obligations</u>	<u>\$11,323,615</u>	<u>\$410,953</u>	<u>\$439,538</u>	<u>\$11,295,030</u>

Significant debt transactions for the year besides the required principal and interest payments was the activity of the Michigan School Bond Loan Fund as follows:

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2007 was \$3,343,500.

C. Capital Assets

The district's net investment in capital assets decreased by \$137,653 during the year. This can be summarized as follows:

	<u>Balance</u> <u>7-1-06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-07</u>
Capital Assets	\$15,477,794	\$144,006	\$56,340	\$15,565,460
Less: Accumulated Depreciation	(6,648,241)	(281,659)	(56,340)	(6,873,560)
<u>Net Investment Capital Outlay</u>	<u>\$8,829,553</u>	<u>(\$137,653)</u>	<u>\$0</u>	<u>\$8,691,900</u>

Significant additions was the purchase of two buses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

* Foundation allowance

The estimated foundation amount for the 2007-2008 school year will increase by \$115 to \$7,200 per student. The district's September 2007 enrollment is expected to decline by about 48 students from the 2007-2008 enrollment. There are various economic and political factors that may affect the foundation allowance estimated before the final foundation allowance is known.

* Retirement rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.52% in 07-08 from 17.74% in 06-07.

* The Genesee School District #6's 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$7,249,494
<u>EXPENDITURES</u>	<u>7,429,274</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$179,780)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Genesee School District #6.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,159,398
Due from Other Governmental Units	1,268,099
Inventory	2,349
Prepaid Expenses	20,037
Total Current Assets	<u>\$2,449,883</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	15,565,460
Less: Accumulated Depreciation	<u>(6,873,560)</u>
Total Noncurrent Assets	<u>\$8,691,900</u>
<u>TOTAL ASSETS</u>	<u>\$11,141,783</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$51,817
State Aid Anticipation Note Payable	1,250,000
Accrued Expenses	123,406
Salaries Payable	518,451
Current Portion of Long-Term Obligations	432,933
Total Current Liabilities	<u>\$2,376,607</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>10,862,097</u>
<u>TOTAL LIABILITIES</u>	<u>\$13,238,704</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	795,978
Restricted for:	
Debt Service	102,395
Unrestricted	<u>(2,995,294)</u>
Total Net Assets	<u>(\$2,096,921)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$11,141,783</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$4,725,521	\$0	\$1,073,826	(\$3,651,695)
Support Services	2,563,421	24,001	87,176	(2,452,244)
Community Services	31,190	0	26,454	(4,736)
Food Service	312,211	69,659	233,810	(8,742)
Athletics	225,535	28,290	0	(197,245)
Interest - Long-Term Obligations	485,943	0	0	(485,943)
Depreciation - Unallocated	242,918	0	0	(242,918)
<u>TOTALS</u>	<u>\$8,586,739</u>	<u>\$121,950</u>	<u>\$1,421,266</u>	<u>(\$7,043,523)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				810,864
State Aid				5,988,174
Grants and Contributions Not Restricted to				
Specific Programs				1,177
Investment Earnings				46,430
Miscellaneous				27,649
Total General Revenues and Transfers				<u>\$6,874,294</u>
Change in Net Assets				<u>(\$169,229)</u>
Net Assets - Beginning (Deficit)				<u>(1,927,692)</u>
<u>NET ASSETS - ENDING (DEFICIT)</u>				<u>(\$2,096,921)</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$989,668	\$169,730	\$1,159,398
Due from Other Funds	16,401	0	16,401
Due from Other Governmental Units	1,268,099	0	1,268,099
Inventory	0	2,349	2,349
Prepaid Expenses	20,037	0	20,037
<u>TOTAL ASSETS</u>	<u>\$2,294,205</u>	<u>\$172,079</u>	<u>\$2,466,284</u>
<u>LIABILITIES</u>			
Accounts Payable	\$40,834	\$10,983	\$51,817
State Aid Anticipation Note Payable	1,250,000	0	1,250,000
Due to Other Funds	0	16,401	16,401
Accrued Expenses	69,008	0	69,008
Salaries Payable	518,451	0	518,451
Total Liabilities	\$1,878,293	\$27,384	\$1,905,677
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	20,037	2,349	22,386
Debt Retirement	0	102,395	102,395
Unreserved:			
Undesignated, Reported In:			
General Fund	395,875	0	395,875
School Service Funds	0	39,951	39,951
Total Fund Balances	\$415,912	\$144,695	\$560,607
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,294,205</u>	<u>\$172,079</u>	<u>\$2,466,284</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:	\$560,607
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$15,565,460 and the accumulated depreciation is \$6,873,560	8,691,900
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Accrued Interest on Long-Term Deb	(54,398)
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$7,223,436	
Contracts Payable	188,486	
MI School Bond Loan	3,343,500	
Retirement Incentive	484,000	
Sick Days Payable	55,608	
Total Long-Term Liabilities		<u>(11,295,030)</u>

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$2,096,921)</u>
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GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$401,664	\$637,344	\$1,039,008
State Sources	6,590,740	14,019	6,604,759
Federal Sources	482,850	219,791	702,641
Total Revenues	<u>\$7,475,254</u>	<u>\$871,154</u>	<u>\$8,346,408</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	4,876,267	0	4,876,267
Student Services	208,435	0	208,435
Instructional Support	191,692	0	191,692
General Administration	356,765	0	356,765
School Administration	706,948	0	706,948
Business Administration	53,704	0	53,704
Operation & Maintenance of Plant	742,365	0	742,365
Transportation	352,479	0	352,479
Support Services - Other	69,791	0	69,791
Community Services	31,190	0	31,190
Food Service	0	527,443	527,443
Debt Service	0	597,353	597,353
Total Expenditures	<u>\$7,589,636</u>	<u>\$1,124,796</u>	<u>\$8,714,432</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$114,382)	(\$253,642)	(\$368,024)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(190,000)	190,000	0
Other Transfers	189,684	116,572	306,256
Total Other Financing Sources (Uses)	<u>(\$316)</u>	<u>\$306,572</u>	<u>\$306,256</u>
Net Change in Fund Balance	(\$114,698)	\$52,930	(\$61,768)
<u>FUND BALANCE - BEGINNING</u>	<u>530,610</u>	<u>91,765</u>	<u>622,375</u>
<u>FUND BALANCE - ENDING</u>	<u>\$415,912</u>	<u>\$144,695</u>	<u>\$560,607</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	(\$61,768)
--------------------------------------------------------	------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(137,653)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	282,538
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Loan Proceeds from the Michigan School Bond Loan Fund	(257,692)
-------------------------------------------------------	-----------

Accrued Interest Michigan School Bond Loan Fund	(150,197)
-------------------------------------------------	-----------

Change in accrued interest on long-term liabilities	1,607
-----------------------------------------------------	-------

Decrease in Retirement Incentive	157,000
----------------------------------	---------

(Increase) in accrued compensated absences	<u>(3,064)</u>
--------------------------------------------	----------------

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>(\$169,229)</u>
--------------------------------------------------------	--------------------

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$147,805</u>
<u>TOTAL ASSETS</u>	<u>\$147,805</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$147,805</u>
<u>TOTAL LIABILITIES</u>	<u>\$147,805</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$395,050	\$377,259	\$401,664	\$24,405
State Sources	6,630,304	6,543,015	6,590,740	47,725
Federal Sources	537,604	538,918	482,850	(56,068)
Total Revenues	<u>\$7,562,958</u>	<u>\$7,459,192</u>	<u>\$7,475,254</u>	<u>\$16,062</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	4,914,517	4,903,344	4,876,267	27,077
Student Services	254,368	216,587	208,435	8,152
Instructional Support	201,258	193,574	191,692	1,882
General Administration	366,933	369,816	356,765	13,051
School Administration	702,463	709,928	706,948	2,980
Business Administration	47,400	47,963	53,704	(5,741)
Operation & Maintenance of Plant	788,758	741,962	742,365	(403)
Transportation	198,461	352,732	352,479	253
Support Services - Other	70,685	70,419	69,791	628
Community Services	51,710	33,785	31,190	2,595
Total Expenditures	<u>\$7,596,553</u>	<u>\$7,640,110</u>	<u>\$7,589,636</u>	<u>\$50,474</u>
Excess of Revenues Over Expenditures	<u>(\$33,595)</u>	<u>(\$180,918)</u>	<u>(\$114,382)</u>	<u>\$66,536</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(119,751)</u>	<u>23,220</u>	<u>(316)</u>	<u>(23,536)</u>
Net Change in Fund Balance	<u>(\$153,346)</u>	<u>(\$157,698)</u>	<u>(\$114,698)</u>	<u>\$43,000</u>
<u>FUND BALANCE - BEGINNING</u>			<u>530,610</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$415,912</u>	

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Genesee School District #6 conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 – 10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had no investments.

Interest rate risk. The risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Concentration of credit risk. The risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District did not have any investments as of June 30, 2007.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$1,312,865 of the District's bank balance of \$1,515,260 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk. The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$147,805	\$ 1,307,203
Investments	<u>0</u>
<u>TOTAL</u>	<u>\$ 1,307,203</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 147,805
Cash – District Wide	1,159,398
Investments – District Wide	<u>0</u>
<u>TOTAL</u>	<u>\$ 1,307,203</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,106,752
Federal Grants	<u>161,337</u>
<u>TOTAL</u>	<u>\$ 1,268,089</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007 the School District had estimated claims payable of \$3,512 in conjunction with the program.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

8) SHORT-TERM DEBT

The District borrowed \$1,250,000 at 3.92% per annum on September 1, 2006, from Davison State Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2007 was \$1,250,000. The note matures August 31, 2007.

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
State Aid Note	<u>\$1,000,000</u>	<u>\$1,250,000</u>	<u>\$1,000,000</u>	<u>\$1,250,000</u>

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$12,929,734	\$0	\$0	\$12,929,734
Land Improvements	1,723,403	0	0	1,723,403
Equipment and Furniture	323,528	0	0	323,528
Vehicles	<u>501,129</u>	<u>144,006</u>	<u>56,340</u>	<u>588,795</u>
Totals at Historical Cost	\$15,477,794	\$144,006	\$56,340	\$15,565,460
Less: Accumulated Depreciation				
Buildings and Improvements	(4,861,998)	(191,119)	0	(5,053,117)
Land Improvements	(1,105,523)	(61,680)	0	(1,167,203)
Equipment and Furniture	(283,388)	(8,701)	0	(292,089)
Vehicles	<u>(397,332)</u>	<u>(20,159)</u>	<u>(56,340)</u>	<u>(361,151)</u>
Total Accumulated Depreciation	<u>(\$6,648,241)</u>	<u>(\$281,659)</u>	<u>(\$56,340)</u>	<u>(\$6,873,560)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$8,829,553</u>	<u>(\$137,653)</u>	<u>\$0</u>	<u>\$8,691,900</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 6,254
Support Services	22,184
Food Service	422
Athletics	9,881
Unallocated	<u>242,918</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 281,659</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$58,705 and the School District received a dividend refund of \$8,471.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) OPERATING LEASES

Rental Income

The District currently leases property to Verizon for a cellular tower. The monthly rental rate is \$900 and increased to \$1,035 in November, 2006 and is on a month-to-month basis.

Rental Expense

During December, 2005, the District entered into a copier lease. The lease requires monthly payments of \$4,355 and is for 60 months. The future minimum payments are as follows:

2008	\$ 52,270
2009	52,270
2010	52,270
2011	<u>26,135</u>
<u>TOTAL</u>	<u>\$ 182,945</u>

12) GENERAL LONG-TERM DEBT

A) 2000 School Building and Site and Refunding Bonds

On March 1, 2000, the District issued \$7,015,000.00 in general obligation bonds with coupon interest rates of 4.50% to 6.00%.

On October 24, 2001, the District issued 2001 Refunding Bonds and advanced refunded \$5,295,000.00 of these bonds. The balance at June 30, 2007 was \$430,000.

B) 2001 Refunding Bonds

On October 24, 2001, Genesee School District #6 issued \$5,805,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.30% to 5.00%. The outstanding principal of the bonds is \$5,680,000 at June 30, 2007.

C) 2004 Refunding Bonds

On March 25, 2004, Genesee School District #6 issued \$1,370,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.00% to 3.80%. The District issued the bonds to advance refund the outstanding 1993 Bond Issue with a interest rate ranging from 4.10% to 5.75%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1993 Bond Issue. As a result, the 1993 Bond Issue is considered defeased and the District has removed the liability from its accounts. The outstanding principal of the bonds is \$1,045,000 at June 30, 2007.

D) General Obligation Bonds Payable

Genesee School District #6 has issued general obligation bonds for the purpose of defraying the cost of various additions and improvements as follows:

<u>DATE ISSUED</u>	<u>ISSUE AMOUNT</u>	<u>BONDS OUTSTANDING</u>	<u>INTEREST RATE</u>
March 1, 2000	\$ 7,015,000	\$ 430,000	4.75% to 5.30%
October 24, 2001	5,805,000	5,680,000	2.30% to 5.00%
March 25, 2004	1,370,000	1,045,000	2.00% to 3.80%

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

12) GENERAL LONG-TERM DEBT (Continued)

E) Durant Resolution Package Bonds

Genesee School District #6 issued Durant Resolution Bonds on November 24, 1998 in the amount of \$115,903.00 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$68,437.

F) Contracts & Notes Payable

Genesee School District #6 is indebted to Chase Bank on a bus note payable in the amount of \$133,228. The note require annual principal payments of \$24,879 including interest at 3.3494% per annum and matures April 15, 2009. The balance as of June 30, 2007 was \$47,366.

Genesee School District #6 is indebted to Davison State Bank on a bus note payable in the amount of \$141,120. The note require annual principal payments of \$17,640 plus interest at 4.08% per annum and matures February, 2015. The balance as of June 30, 2007 was \$141,120.

G) Retirement Incentive

During the 2005-2006 school year, eleven teachers agreed to a retirement incentive plan. This plan will pay six installments of \$1,000 beginning September 1, 2006 and continue on each February 1st and September 1st until paid and ten installments of \$5,000 beginning September 1, 2006 and continue on each February 1st and September 1st until paid. The balance at June 30, 2007 is \$484,000.

H) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2007 was \$3,343,500.

I) The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	Bus Note & Contracts Payable	Bonds Payable	Retirement Incentive	Michigan School Bond Loan Fund	Interest	Total
June 30, 2008	\$40,933	\$260,000	\$132,000	\$0	\$333,756	\$766,689
June 30, 2009	41,713	314,415	132,000	0	336,580	824,708
June 30, 2010	17,640	286,757	110,000	0	310,668	725,065
June 30, 2011	17,640	297,079	110,000	0	297,921	722,640
June 30, 2012	17,640	317,416	0	0	286,560	621,616
June 30, 2013-2017	52,920	1,657,769	0	0	1,234,253	2,944,942
June 30, 2018-2022	0	1,415,000	0	0	884,268	2,299,268
June 30, 2023-2027	0	1,815,000	0	0	496,000	2,311,000
June 30, 2028-2029	0	860,000	0	0	65,000	925,000
Thereafter	0	0	0	3,343,500	0	3,343,500
<u>TOTAL</u>	<u>\$188,486</u>	<u>\$7,223,436</u>	<u>\$484,000</u>	<u>\$3,343,500</u>	<u>\$4,245,006</u>	<u>\$15,484,428</u>

The payment dates of sick days payable are undeterminable. There is no scheduled repayment dates for the Michigan School Bond Loan Payable. The interest expenditures on long-term obligations for the year were \$338,374.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

12) GENERAL LONG-TERM DEBT (Continued)

J) Changes in General Long-Term Debt

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amount Due in One Year
<u>Governmental Activities:</u>					
Bus Note & Contracts Payable	\$69,904	\$141,120	\$22,538	\$188,486	\$40,933
Bonds Payable	7,483,436	0	260,000	7,223,436	260,000
MI School Bond Loan Fund	3,076,731	266,769	0	3,343,500	0
Retirement Incentive	641,000	0	157,000	484,000	132,000
Vacation & Sick Days Payable	52,544	3,064	0	55,608	0
<u>Total Governmental Activities</u>	<u>\$11,323,615</u>	<u>\$410,953</u>	<u>\$439,538</u>	<u>\$11,295,030</u>	<u>\$432,933</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

DUE FROM	
DUE TO	General Fund
Athletics Fund	\$2,537
Food Service Fund	13,864
<u>TOTAL</u>	<u>\$16,401</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	GENERAL FUND
Athletics Fund	\$190,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$761,069, \$784,569 and \$666,213, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are Title I and Special Education Cluster grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENT

The District approved borrowing of \$1,250,000 at 3.92% per annum from Davison State Bank on a State Aid Anticipation Note. The short-term note proceeds will be used to meet cash flow needs for the 2007-2008 year.

OTHER SUPPLEMENTAL
INFORMATION

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	School Service Funds	Debt Service Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$67,335	\$102,395	\$169,730
Inventory	2,349	0	2,349
<u>TOTAL ASSETS</u>	<u>\$69,684</u>	<u>\$102,395</u>	<u>\$172,079</u>
<u>LIABILITIES</u>			
Accounts Payable	\$10,983	\$0	\$10,983
Due to Other Funds	16,401	0	16,401
Total Liabilities	\$27,384	\$0	\$27,384
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	2,349	0	2,349
Debt Retirement	0	102,395	102,395
Unreserved:			
Undesignated, Reported In:			
School Service Fund	39,951	0	39,951
Total Fund Balances	\$42,300	\$102,395	\$144,695
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$69,684</u>	<u>\$102,395</u>	<u>\$172,079</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	School Service Funds	Debt Service Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$117,929	\$519,415	\$637,344
State Sources	14,019	0	14,019
Federal Sources	219,791	0	219,791
Total Revenues	<u>\$351,739</u>	<u>\$519,415</u>	<u>\$871,154</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>190,000</u>	<u>116,572</u>	<u>306,572</u>
Total Revenues & Other Financing Sources	<u>\$541,739</u>	<u>\$635,987</u>	<u>\$1,177,726</u>
<u>EXPENDITURES</u>			
Food Service	527,443	0	527,443
Debt Service	0	597,353	597,353
Total Expenditures	<u>\$527,443</u>	<u>\$597,353</u>	<u>\$1,124,796</u>
Net Change in Fund Balance	<u>\$14,296</u>	<u>\$38,634</u>	<u>\$52,930</u>
<u>NET ASSETS - BEGINNING</u>	<u>28,004</u>	<u>63,761</u>	<u>91,765</u>
<u>NET ASSETS - ENDING</u>	<u>\$42,300</u>	<u>\$102,395</u>	<u>\$144,695</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHOOL SERVICE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$67,335	\$0	\$67,335
Inventory	<u>2,349</u>	<u>0</u>	<u>2,349</u>
<u>TOTAL ASSETS</u>	<u>\$69,684</u>	<u>\$0</u>	<u>\$69,684</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$10,983	\$10,983
Due from Other Funds	<u>13,864</u>	<u>2,537</u>	<u>16,401</u>
Total Liabilities	<u>\$13,864</u>	<u>\$13,520</u>	<u>\$27,384</u>
<u>FUND EQUITY</u>			
Reserved for Inventory	2,349	0	2,349
Unreserved and Undesignated	<u>53,471</u>	<u>(13,520)</u>	<u>39,951</u>
Total Fund Equity	<u>\$55,820</u>	<u>(\$13,520)</u>	<u>\$42,300</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$69,684</u>	<u>\$0</u>	<u>\$69,684</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHOOL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$69,659	\$0	\$69,659
Athletic Activities	0	28,290	28,290
Earnings on Investments and Deposits	211	0	211
Other Local Sources	2,962	16,807	19,769
Total Local Sources	<u>\$72,832</u>	<u>\$45,097</u>	<u>\$117,929</u>
<u>State Sources</u>			
State Reimbursements	14,019	0	14,019
<u>Federal Sources</u>			
Headstart	18,300	0	18,300
Federal Reimbursements	193,611	0	193,611
Commodities	7,880	0	7,880
Total Federal Sources	<u>\$219,791</u>	<u>\$0</u>	<u>\$219,791</u>
Total Revenues	<u>\$306,642</u>	<u>\$45,097</u>	<u>\$351,739</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	190,000	190,000
Total Revenues and Other Financing Sources	<u>\$306,642</u>	<u>\$235,097</u>	<u>\$541,739</u>
<u>EXPENDITURES</u>			
Salaries - Professional	31,196	26,899	58,095
Salaries - Non-Professional	87,772	91,531	179,303
Insurances	12,202	8,886	21,088
Fica, Retirement, Etc.	30,374	28,739	59,113
Other Benefits	3,752	0	3,752
Purchased Services	6,027	26,590	32,617
Supplies and Materials	127,531	29,992	157,523
Other	3,476	12,476	15,952
Total Expenditures	<u>\$302,330</u>	<u>\$225,113</u>	<u>\$527,443</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES (UNDER) EXPENDITURES</u>	<u>\$4,312</u>	<u>\$9,984</u>	<u>\$14,296</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$51,508</u>	<u>(\$23,504)</u>	<u>\$28,004</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$55,820</u>	<u>(\$13,520)</u>	<u>\$42,300</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	<u>BOND ISSUE DATE</u>		
	<u>1993 & 2004</u>	<u>2000 & 2001</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$29,283</u>	<u>\$73,112</u>	<u>\$102,395</u>
<u>FUND EQUITY</u>			
Reserved for Debt Retirement	<u>\$29,283</u>	<u>\$73,112</u>	<u>\$102,395</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BOND ISSUE DATE</u>			<u>TOTAL AFTER INTRA-FUND ELIMINATIONS</u>
	<u>1993 & 2004</u>	<u>2000 & 2001</u>	<u>1998 Durant</u>	
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Tax Levy	\$138,690	\$374,150	\$0	\$512,840
Earnings on Investments and Deposits	2,127	4,319	0	6,446
Other Local Sources	129	0	0	129
Total Local Sources	<u>\$140,946</u>	<u>\$378,469</u>	<u>\$0</u>	<u>\$519,415</u>
<u>OTHER FINANCING SOURCES</u>				
School Bond Loan Proceeds	0	116,572	0	116,572
Total Revenues and Other Financing Sources	<u>\$140,946</u>	<u>\$495,041</u>	<u>\$0</u>	<u>\$635,987</u>
<u>EXPENDITURES</u>				
Redemption of Bonds	105,000	155,000	0	260,000
Interest on Bonded Debt	34,610	301,423	0	336,033
Other Debt Retirement Expense	380	940	0	1,320
Total Expenditures	<u>\$139,990</u>	<u>\$457,363</u>	<u>\$0</u>	<u>\$597,353</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u>	<u>\$956</u>	<u>\$37,678</u>	<u>\$0</u>	<u>\$38,634</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$28,327</u>	<u>\$35,434</u>	<u>\$0</u>	<u>\$63,761</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$29,283</u>	<u>\$73,112</u>	<u>\$0</u>	<u>\$102,395</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

<u>Local Sources</u>	
Property Tax Levy	\$298,024
Earnings on Investments and Deposits	39,773
Tuition	11,295
Medicaid	12,934
SKIP Program	1,177
Other Local Revenues	38,461
Total Revenues from Local Sources	<u>\$401,664</u>
<u>State Sources</u>	
Unrestricted State Aid - Membership	5,988,174
Restricted	
At Risk	233,698
Durant	11,590
Special Education	218,205
Michigan School Readiness	59,400
Other State Grants	37,059
Career Prep	42,614
Total Revenues from State Sources	<u>\$6,590,740</u>
<u>Federal Sources</u>	
Title I	192,671
Title V	1,621
Improving Teacher Quality	45,997
Headstart	12,000
IDEA Flowthrough	216,303
Preschool Incentive	4,815
Transition Grant	878
Homeland Security	1,400
Tech Literacy Grant	2,664
Other Federal Grants	287
Medicaid	4,214
Total Revenues from Federal Sources	<u>\$482,850</u>
Total Revenues	<u>\$7,475,254</u>
<u>OTHER FINANCING SOURCES</u>	
Act 18 Receipts	62,652
Loan Proceeds	141,120
Other Transfers	8,450
Total Other Financing Sources	<u>\$212,222</u>
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u><u>\$7,687,476</u></u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$943,951
Salaries - Non-Professional	80,876
Insurances	240,315
Fica, Retirement, Etc.	263,768
Other Benefits	85,053
Purchased Services	28,572
Supplies and Materials	71,789
Other	717
Total Elementary	<u>\$1,715,041</u>

High School

Salaries - Professional	1,015,383
Salaries - Non-Professional	38,466
Insurances	244,127
Fica, Retirement, Etc.	268,219
Other Benefits	109,569
Purchased Services	52,530
Supplies and Materials	53,275
Other	578
Total High School	<u>\$1,782,147</u>

Preschool

Salaries - Professional	35,112
Salaries - Non-Professional	7,756
Insurances	8,231
Fica, Retirement, Etc.	10,910
Other Benefits	96
Supplies and Materials	183
Other	70
Total Preschool	<u>\$62,358</u>

Total Basic Programs

\$3,559,546

ADDED NEEDSSpecial Education

Salaries - Professional	421,491
Salaries - Non-Professional	156,691
Insurances	107,907
Fica, Retirement, Etc.	143,484
Other Benefits	9,733
Purchased Services	6,002
Supplies and Materials	7,555
Other	150
Total Special Education	<u>\$853,013</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)

ADDED NEEDS (Continued)

Compensatory Education

Salaries - Professional	\$113,679
Salaries - Non-Professional	170,799
Insurances	38,115
Fica, Retirement, Etc.	75,054
Other Benefits	1,929
Purchased Services	8,897
Supplies and Materials	11,179
Total Compensatory Education	<u>\$419,652</u>

Vocational Education

Salaries - Professional	19,499
Salaries - Non-Professional	300
Insurances	8,005
Fica, Retirement, Etc.	5,798
Purchased Services	2,000
Supplies and Materials	8,454
Total Compensatory Education	<u>\$44,056</u>

Total Added Needs	<u>\$1,316,721</u>
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<u>Total Instruction</u>	<u>\$4,876,267</u>
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SUPPORT SERVICES

Student Services

Salaries - Professional	92,082
Salaries - Non-Professional	2,210
Insurances	28,314
Fica, Retirement, Etc.	23,745
Other Benefits	12,000
Purchased Services	46,840
Supplies and Materials	3,244
Total Student Services	<u>\$208,435</u>

Instructional Staff

Salaries - Professional	101,073
Salaries - Non-Professional	24,878
Insurances	26,206
Fica, Retirement, Etc.	25,054
Other Benefits	540
Purchased Services	8,126
Supplies and Materials	4,981
Other	834
Total Instructional Staff	<u>\$191,692</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

General Administration

Salaries - Professional	\$126,140
Salaries - Non-Professional	76,506
Insurances	33,084
Fica, Retirement, Etc.	51,113
Other Benefits	2,504
Purchased Services	53,767
Supplies and Materials	5,444
Other	8,207
Total General Administration	<u>\$356,765</u>

School Administration

Salaries - Professional	319,105
Salaries - Non-Professional	129,055
Insurances	130,080
Fica, Retirement, Etc.	109,766
Other Benefits	360
Purchased Services	9,808
Supplies and Materials	7,104
Other	1,670
Total School Administration	<u>\$706,948</u>

Business Administration

Purchased Services	5,613
Other	48,091
Total Business Administration	<u>\$53,704</u>

Operation and Maintenance of Plant

Salaries - Non-Professional	196,678
Insurances	93,045
Fica, Retirement, Etc.	53,856
Purchased Services	222,451
Supplies and Materials	164,234
Capital Outlay	12,101
Total Operation and Maintenance of Plant	<u>\$742,365</u>

Pupil Transportation

Salaries - Professional	7,614
Salaries - Non-Professional	83,365
Insurances	11,920
Fica, Retirement, Etc.	24,398
Other Benefits	1,966
Purchased Services	54,608
Supplies and Materials	24,352
Capital Outlay	144,006
Other	250
Total Pupil Transportation	<u>\$352,479</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)
Other Support Services

Salaries - Non-Professional	\$37,019
Insurances	8,928
Fica, Retirement, Etc.	8,958
Purchased Services	188
Supplies and Materials	3,124
Capital Outlay	11,574
Total Other Support Services	<u>\$69,791</u>

<u>Total Support Services</u>	\$2,682,179
-------------------------------	-------------

COMMUNITY SERVICES

Salaries - Professional	4,505
Salaries - Non-Professional	9,508
Fica, Retirement, Etc.	3,335
Purchased Services	8,295
Supplies and Materials	5,547
Total Community Services	<u>\$31,190</u>

<u>Total Expenditures</u>	\$7,589,636
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OTHER FINANCING USES

Transfers to Other Funds	190,000
Loan Payments	22,538
Total Other Financing Uses	<u>\$212,538</u>

TOTAL EXPENDITURES AND OTHER
FINANCING USES

	<u>\$7,802,174</u>
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GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From) Student Groups 7-1-06	Receipts	Disbursements	Due to (From) Student Groups 6-30-07
Alumni Fund	\$83	\$0	\$0	\$83
Athletic Leadership Account	325	540	800	65
Band	526	4,102	3,853	775
Dorothy Baker Scholarship	3,307	1,708	500	4,515
Business Office Education Club (B.P.A.)	344	0	0	344
Cheerleaders	17	3,461	4,199	(721)
Chorus Account	813	1,336	1,785	364
Class of 2006	641	0	641	0
Class of 2007	146	3,297	2,505	938
Class of 2008	3,076	8,838	10,462	1,452
Class of 2009	738	2,109	1,648	1,199
Class of 2010	456	1,186	847	795
Class of 2011	150	248	5	393
Class of 2012	0	275	0	275
Chris Amanda Cuneaz Scholarship	68,327	14,168	4,000	78,495
Drama Club	2,204	6,476	7,070	1,610
Field Trip - Elem	981	13,953	13,603	1,331
Field Trip - JH/HS	0	1,848	1,677	171
Flower Fund	2,946	5,106	3,087	4,965
GAC Student Council	0	2,028	500	1,528
Genesee Lions/ess Club	1,040	1,500	1,000	1,540
Honor Society	386	3,095	3,306	175
Jack P. Haas Scholarship	18,408	1,125	1,500	18,033
Thomas Huggler Scholarship	5,289	809	500	5,598
Journalism Account	172	1,217	875	514
Library Fund - Elementary	3,223	9,715	10,995	1,943
Miscellaneous	1,036	5,533	5,166	1,403
POM Club	1,574	2,545	3,018	1,101
Marjorie Reid Scholarship	636	11	500	147
S.A.D.D.	834	437	500	771
School Store	6	0	0	6
Soft Drink Machine	7,335	409	0	7,744
Sophomore/Jr. Trip Fund	3,034	28,379	29,372	2,041
Spanish Club	481	481	227	735
Student Council	924	13,526	12,621	1,829
Summer Recreation	1,169	0	0	1,169
Track Fund	1,000	641	0	1,641
Washington Trip Fund	1,367	45,354	43,664	3,057
Yearbook 04-05	(106)	106	0	0
Yearbook 05-06	523	3,418	3,941	0
Yearbook 06-07	0	8,397	8,616	(219)
<u>TOTAL</u>	<u>\$133,411</u>	<u>\$197,377</u>	<u>\$182,983</u>	<u>\$147,805</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2007

	1998 DURANT			
	Principal		Interest	Total
<u>Payment Date</u>	<u>Requirement</u>	<u>Rate</u>	<u>Requirement</u>	<u>Requirement</u>
2007-2008	\$0	4.761353%	\$0	\$0
2008-2009	39,415	4.761353%	15,271	54,686
2009-2010	6,757	4.761353%	1,382	8,139
2010-2011	7,079	4.761353%	1,060	8,139
2011-2012	7,416	4.761353%	723	8,139
2012-2013	7,769	4.761353%	370	8,139
<u>TOTALS</u>	<u>\$68,436</u>		<u>\$18,806</u>	<u>\$87,242</u>

	2000 SCHOOL BUILDING & SITE BONDS				
	Principal		May Interest	Nov Interest	Total
<u>Payment Date</u>	<u>Requirement</u>	<u>Rate</u>	<u>Requirement</u>	<u>Requirement</u>	<u>Requirement</u>
2007-2008	\$135,000	5.20%	\$11,291	\$11,291	\$157,582
2008-2009	145,000	5.25%	7,781	7,781	160,562
2009-2010	150,000	5.30%	3,975	3,975	157,950
<u>TOTALS</u>	<u>\$430,000</u>		<u>\$23,047</u>	<u>\$23,047</u>	<u>\$476,094</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2007

2001 REFUNDING BONDS					
Payment Date	Principal Requirement	Rate	May Interest Requirement	Nov Interest Requirement	Total Requirement
2007-2008	\$25,000	3.65%	\$135,648	\$135,647	\$296,295
2008-2009	30,000	3.75%	135,191	135,191	300,382
2009-2010	30,000	3.85%	134,629	134,629	299,258
2010-2011	190,000	3.95%	134,051	134,051	458,102
2011-2012	200,000	4.05%	130,299	130,299	460,598
2012-2013	205,000	4.20%	126,249	126,248	457,497
2013-2014	210,000	4.35%	121,944	121,944	453,888
2014-2015	220,000	4.45%	117,376	117,376	454,752
2015-2016	235,000	4.55%	112,481	112,481	459,962
2016-2017	245,000	4.65%	107,135	107,135	459,270
2017-2018	255,000	4.75%	101,439	101,439	457,878
2018-2019	270,000	4.85%	95,383	95,382	460,765
2019-2020	285,000	4.90%	88,835	88,835	462,670
2020-2021	295,000	4.90%	81,852	81,853	458,705
2021-2022	310,000	5.00%	74,625	74,625	459,250
2022-2023	330,000	5.00%	66,875	66,875	463,750
2023-2024	345,000	5.00%	58,625	58,625	462,250
2024-2025	360,000	5.00%	50,000	50,000	460,000
2025-2026	380,000	5.00%	41,000	41,000	462,000
2026-2027	400,000	5.00%	31,500	31,500	463,000
2027-2028	420,000	5.00%	21,500	21,500	463,000
2028-2029	440,000	5.00%	11,000	11,000	462,000
<u>TOTALS</u>	<u>\$5,680,000</u>		<u>\$1,977,637</u>	<u>\$1,977,635</u>	<u>\$9,635,272</u>

2004 REFUNDING BONDS					
Payment Date	Principal Requirement	Rate	May Interest Requirement	Nov Interest Requirement	Total Requirement
2007-2008	\$100,000	2.25%	\$16,255	\$16,255	\$132,510
2008-2009	100,000	2.50%	15,130	15,130	130,260
2009-2010	100,000	2.60%	13,880	13,880	127,760
2010-2011	100,000	2.80%	12,580	12,580	125,160
2011-2012	110,000	3.00%	11,180	11,180	132,360
2012-2013	110,000	3.25%	9,530	9,530	129,060
2013-2014	100,000	3.45%	7,743	7,743	115,486
2014-2015	100,000	3.60%	6,018	6,018	112,036
2015-2016	115,000	3.70%	4,218	4,218	123,436
2016-2017	110,000	3.80%	2,089	2,089	114,178
<u>TOTALS</u>	<u>\$1,045,000</u>		<u>\$98,623</u>	<u>\$98,623</u>	<u>\$1,242,246</u>

GENESEE SCHOOL DISTRICT #6

GENESEE, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 18, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Genesee School District #6

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2007, which collectively comprise the Genesee School District #6's basic financial statements and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genesee School District #6's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Genesee School District #6's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Genesee School District #6's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Genesee School District #6's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Genesee School District #6's financial statements that is more than inconsequential will not be prevented or detected by the Genesee School District #6's internal control. We consider the deficiencies identified as 2007-1 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Genesee School District #6's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.



Genesee School District #6

Page 2


September 18, 2007

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee School District #6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Genesee School District #6's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Genesee School District #6's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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September 18, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Genesee School District #6

Compliance

We have audited the compliance of Genesee School District #6 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Genesee School District #6's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Genesee School District #6's management. Our responsibility is to express an opinion on Genesee School District #6's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Genesee School District #6's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Genesee School District #6's compliance with those requirements.

In our opinion, Genesee School District #6 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Genesee School District #6 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Genesee School District #6's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Genesee School District #6's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Genesee School District #6

Page 2

September 18, 2007


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Genesee School District #6's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Education Agencies	84.010		
ESEA Title I - Regular (06-07)		61530-0607	\$18,362
ESEA Title I - Regular (06-07)		71530-0607	181,856
Total Title I Grants to Local Education Agencies			<u>\$200,218</u>
Innovative Education Program Strategies	84.298		
ESEA Title V Regular (06-07)		70250-0607	1,621
Technology Literacy Challenge Grant	84.318		
Technology Literacy Challenge Grant (06-07)		64290-0607	1,856
Technology Literacy Challenge Grant (06-07)		74290-0607	1,867
Total Technology Literacy Challenge Grant			<u>\$3,723</u>
Improving Teacher Quality	84.367		
Improving Teacher Quality (05-06)		60520-0506	45,997
Emergency Impact Aid - Hurricane Katrina Grant	84.938	64120-1	287
Total Passed Through Michigan Department of Education			<u>\$251,846</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (05-06)		60450-0506	218,661
IDEA Flow Through (06-07)		70450-0607	216,020
Transition Services (06-07)		70490-TS	930
Total Special Education Grants to States			<u>\$435,611</u>
Special Education - Preschool Grants	84.173		
IDEA Preschool Incentive (06-07)		70460-0607	4,815
Emergency Response Plans (03-04)	84.184E	Q184E050156	1,400
Total Passed Through Genesee Intermediate School District			<u>\$441,826</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$693,672</u>
<u>US DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	7,620
Bonus Commodities		N/A	260
Total Food Distribution			<u>\$7,880</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$18,362	\$0	\$18,362	\$0
0	0	174,309	0	174,309	0
<u>\$0</u>	<u>\$0</u>	<u>\$192,671</u>	<u>\$0</u>	<u>\$192,671</u>	<u>\$0</u>
0	0	1,621	0	1,621	0
0	0	1,856	0	1,856	0
0	0	808	0	808	0
<u>\$0</u>	<u>\$0</u>	<u>\$2,664</u>	<u>\$0</u>	<u>\$2,664</u>	<u>\$0</u>
0	0	45,997	0	45,997	0
0	0	287	0	287	0
<u>\$0</u>	<u>\$0</u>	<u>\$243,240</u>	<u>\$0</u>	<u>\$243,240</u>	<u>\$0</u>
0	217,923	738	0	738	0
0	0	215,565	0	57,255	158,310
0	0	878	0	878	0
<u>\$0</u>	<u>\$217,923</u>	<u>\$217,181</u>	<u>\$0</u>	<u>\$58,871</u>	<u>\$158,310</u>
0	0	4,815	0	1,788	3,027
0	0	1,400	0	1,400	0
<u>\$0</u>	<u>\$217,923</u>	<u>\$223,396</u>	<u>\$0</u>	<u>\$62,059</u>	<u>\$161,337</u>
\$0	\$217,923	\$466,636	\$0	\$305,299	\$161,337
0	0	7,620	0	7,620	0
0	0	260	0	260	0
<u>\$0</u>	<u>\$0</u>	<u>\$7,880</u>	<u>\$0</u>	<u>\$7,880</u>	<u>\$0</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>US DEPARTMENT OF AGRICULTURE</u> (Continued)			
National School Breakfast Program	10.553	N/A	\$54,581
National School Lunch Program	10.555	N/A	138,605
Special Milk Program for Children	10.556	N/A	<u>425</u>
<u>TOTAL US DEPARTMENT OF AGRICULTURE</u>			<u>\$201,491</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Genesee County Community Action Resource Dept. Head Start	93.600	N/A	30,300
Passed Through Genesee Intermediate School District Medical Assistance Program Title XIX Medicaid Outreach Claims	93.778	N/A	<u>4,214</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			<u>\$34,514</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$929,677</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2005	PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$54,581	\$0	\$54,581	\$0
0	0	138,605	0	138,605	0
0	0	425	0	425	0
\$0	\$0	\$201,491	\$0	\$201,491	\$0
0	0	30,300	0	30,300	0
0	0	4,214	0	4,214	0
\$0	\$0	\$34,514	\$0	\$34,514	\$0
\$0	\$217,923	\$702,641	\$0	\$541,304	\$161,337

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$702,641

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund \$482,850

School Service Fund 219,791

TOTAL \$702,641

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$360,171
Current Payments Per the Grant Section Auditor's Report		
Cash Management System		
Add: Title I (CFDA 84.010)	\$61,175	
Add: Title V (CFDA 84.298)	898	
Add: Technology Literacy (CFDA 84.318)	1,269	
Add: Improving Teacher Quality (CFDA 84.367)	15,896	
Total		79,238
<u>Less:</u> State Funded Grants		
School Breakfast Program State Funds		(2,558)
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:		
Special Education Grants (CFDA 84.027)	\$58,871	
Special Education - Preschool Grants (CFDA 84.173)	1,788	
Emergency Response Plans (CFDA 87.184E)	1,400	
Medical Assistance Program Title XIX (CFDA 93.778)	4,214	
Total Grants Passed Through Genesee Intermediate School District		66,273
Passed Through Genesee County Community Action Resource Dept. Headstart (CFDA 93.600)		30,300
Entitlement and Bonus Commodities (CFDA 10.550)		7,880
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$541,304</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Significant deficiency(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010
84.027/84.173

Name of Federal Program or Cluster
Title I – Grants to Local Education Agencies
Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

2007 – 1 - Accounting Expertise

Effective for the year ended December 31, 2006, Statement on Auditing Standards #112 titled, *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and the footnotes required in the annual audit. Based upon discussions with management and audit work performed in the current year, the District has the capability to perform monthly internal accounting functions and provide timely reports as requested by the board. The District does not have the personnel with qualifications and training necessary to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America. We would expect this comment to continue from year to year. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS

2006-1) Nutrition Cluster (CFDA #10.553/10.555)

Specific Requirement: Eligibility

Condition: The District was reimbursed for a student receiving reduced breakfast and lunch prices but the student was not eligible to receive the reduced rates.

Criteria: The household size and gross monthly income exceeded the established criteria for reduced eligibility based on the criteria established in 42 USC 1766a(b).

Effect of Condition: The District was reimbursed for a student at the reduced rate.

Cause of Condition: The cause of the condition was an incorrect eligibility determination.

Recommendation: The District should develop a procedure for reviewing student application to ensure accuracy.

Status: The District has developed a procedure for reviewing student applications.

Questioned Cost: The questioned cost is the difference between the reimbursed rates of reduced breakfast (\$1.26) and reduced lunch (\$2.02) and the standard reimbursement for breakfast (\$.24) and lunch (\$.25). The number of times this child was served was undeterminable.